VOCS Finance Limited

Report and Accounts
31 December 2009

Registered office

116 Cockfosters Road
Barnet
Hertfordshire
EN4 0DY

Registered number

2000935

Directors

G C Keaney
T M Blackwell

Company Secretary

P J Richardson

Member of Lloyds Banking Group

Directors' report

For the year ended 31 December 2009

Business review and principal activities

VOCS Finance Limited ("the Company") is a limited company incorporated and domiciled in England and Wales (registered number 2000935)

The Company provides instalment credit finance and loans and advances, principally for new and used Volvo vehicles No new business has been written since 1996 and all loans and advances are fully provided, reflecting the uncertainty surrounding their collection

The results for the Company show a profit before tax of £1,994 (2008 £2,931) for the year

Future outlook

There are no plans to change the nature and extent of the Company's operations As the book is in an advanced stage of run down, it is likely that future transactions will be minimal

Principal risks and uncertainties

As all amounts due from third parties are fully provided, the Company has no significant risks

Key performance indicators ('KPIs')

Given that the Company is no longer writing new business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

Dividends

No dividends were paid during the year ended 31 December 2009 (2008 £nil)

Directors

The names of the current directors are shown on the cover

There have been no changes to directors during the year or since the year end

Directors' report (continued)
For the year ended 31 December 2009

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRS) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Auditors and disclosure of information to auditors

Each director in office at the date of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006

On behalf of the Board

T M Blackwell
Director

30 April 2010

Independent auditors' report to the members of VOCS Finance Limited

We have audited the financial statements of VOCS Finance Limited for the year ended 31 December 2009 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Mark Ellis

Mark Ellis (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

One Kingsway
Cardiff
CF10 3PW
30 April 2010

Statement of comprehensive income

For the year ended 31 December 2009

	Note	2009 £	2008 £
Cash collections from impaired assets		**1,994**	2,931
Profit before tax	4	**1,994**	2,931
Taxation	7	**-**	-
Profit for the year attributable to equity shareholders, being total comprehensive income		**1,994**	2,931

The notes on pages 8 to 14 are an integral part of these financial statements

Balance sheet
As at 31 December 2009

	Note	2009 £	2008 £
ASSETS			
Other current assets	8	**1,397,369**	1,395,375
Loans and advances to customers	9	**-**	-
Total assets		**1,397,369**	1,395,375
EQUITY			
Share capital	10	**2,000,000**	2,000,000
Retained losses		**(602,631)**	(604,625)
Total equity		**1,397,369**	1,395,375

The notes on pages 8 to 14 are an integral part of these financial statements

The financial statements on pages 4 to 14 were approved by the Board of Directors and were signed on its behalf by

T M Blackwell
Director

30 April 2010

Statement of changes in equity

For the year ended 31 December 2009

	Share capital	Retained losses	Total
	£	£	£
At 1 January 2008	2,000,000	(607,556)	1,392,444
Total comprehensive income for the year	-	2,931	2,931
At 31 December 2008	2,000,000	(604,625)	1,395,375
Total comprehensive income for the year	-	1,994	1,994
At 31 December 2009	**2,000,000**	**(602,631)**	**1,397,369**

The minority shareholder has a 49% interest in total gains in the year

The notes on pages 8 to 14 are an integral part of these financial statements

Cash flow statement

For year ended 31 December 2009

	2009 £	2008 £
Cash flows from operating activities		
Profit before tax	**1,994**	2,931
Changes in operating assets and liabilities		
- increase in other current assets	**(1,994)**	(2,931)
Cash generated from operations	**-**	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	**-**	-

The notes on pages 8 to 14 are an integral part of these financial statements

Notes to the financial statements
For the year ended 31 December 2009

1 Accounting policies

1 1 Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below These policies have been consistently applied to both years presented, unless otherwise stated

These financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) as adopted by the European Union

The following new IFRS pronouncements relevant to the Company have been adopted in these financial statements

(i) IAS 1 (revised), 'Presentation of financial statements' The revised standard prohibits the presentation of items of income and expense (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity All non-owner changes in equity are required to be shown in a performance statement Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income) The Company has elected to present one statement, a statement of comprehensive income The financial statements have been prepared under the revised disclosure requirements, the application of this revised standard, which affects presentation only, has not had any impact for amounts recognised in these financial statements

(ii) Amendments to IFRS 7 'Financial Instruments Disclosures – Improving Disclosures about Financial Instruments' The amendment requires enhanced disclosures about fair value measurement and liquidity risk In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy As the amendments only result in additional disclosures, the amendments have not had any impact for amounts recognised in these financial statements

(iii) Improvements to IFRSs (issued May 2008) Sets out minor amendments to IFRS standards as part of annual improvements process Most amendments clarified existing practice The application of these new interpretations has not had any impact for amounts recognised in these financial statements

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2009 and which have not been applied in preparing these financial statements are given in note 16

As the Company has no liabilities and will not incur any expenses in future periods, the financial statements have been prepared on a going concern basis and under the historical cost convention

1 2 Income recognition

Interest income is not recognised on fully impaired assets Cash collections from fully impaired assets are recognised on a cash received basis

1 3 Financial assets and liabilities

Financial assets comprise amounts due from group undertakings and loans and advances to customers All loans and advances have been fully impaired (see note 1 4)

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument Financial assets and liabilities are derecognised when the rights to receive cash flows, or obligations to pay cash flows, have expired

Interest bearing financial assets and liabilities are recognised at amortised cost inclusive of transaction costs, using the effective interest rate method

Lease agreements are classified as finance leases if the lease agreements transfer substantially all of the risks and rewards of ownership to the lessee, all other leases are classified as operating leases

When assets are leased under a finance lease, the net present value of the lease payments plus any guaranteed residual value payments, where applicable, is recognised as a receivable within loans and advances to customers

1 Accounting policies (continued)

1 4 Impairment

Loans and advances to customers under finance leases

At each balance sheet date the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets has become impaired Evidence of impairment may include indications that the borrower or group of borrowers are experiencing significant financial difficulty, default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or other financial reorganisation or the debt being restructured to reduce the burden on the borrower

If there is objective evidence that an impairment loss has been incurred, a provision is established which is calculated as the difference between the balance sheet carrying value of the asset and the present value of estimated future cash flows discounted at that asset's original effective interest rate If an asset has a variable interest rate, the discount rate used for measuring the impairment loss is the current effective interest rate The calculation of the present value of the estimated future cash flows of a collateralised asset or group of assets reflects the cash flows that may result from foreclosure less the costs of obtaining and selling the collateral

The method and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between the loss estimates and actual loss experience

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as an improvement in the borrower's credit rating, the provision is adjusted and the amount of the reversal is recognised in the statement of comprehensive income

When a loan or advance is uncollectible, it is written off against the related provision once all the necessary procedures have been completed and the amount of the loss has been determined Subsequent recoveries of amounts previously written off are recognised in the statement of comprehensive income on a cash receipts basis

1 5 Taxation, including deferred income taxes

Current tax which is payable or receivable on taxable profits or losses is recognised as an expense or credit in the period in which the profits or losses arise

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised The tax effect of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised

Tax assets and liabilities are offset when they arise in the same tax reporting group and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously

2. Risk management policy

As all amounts due from third parties are fully provided and the Company does not write new business, the Company has no significant risks

3. Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period Although those estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates

As the whole book has been fully provided against, the directors do not consider there to be any critical accounting estimates in applying the Company's accounting policies

4. Profit before tax

Fees payable to the Company's Auditors for the audit of the financial statements of £1,700 (2008 £2,000) have been borne by a fellow subsidiary undertaking

5. Staff costs

The Company did not employ any persons during the year (2008 none) Accounting and administrative services are provided by a fellow subsidiary undertaking and are not recharged to the Company

6 Directors' emoluments

No director received any fees or emoluments during the year (2008 £nil) The directors' are employed by other companies within the Lloyds Banking Group or companies controlled by Volvo Car UK Limited and consider that their services to the Company are incidental to their other responsibilities within these organisations (see also note 11)

7 Taxation

	2009	2008
	£	£
a) Analysis of charge for the year		
UK corporation tax		
- Current tax on profits for the year	-	-
Current tax charge	-	-

The charge for tax on the profit for the year is based on an effective UK corporation tax rate of 28% (2008 28 5%)

Tax losses with a tax value of £110,917 (2008 £131,810) have not been recognised as a result of uncertainty surrounding their recoverability

7. Taxation (continued)

b) Factors affecting the tax charge for the year

A reconciliation of the charge that would result from applying the standard UK corporation tax rate to profit before tax to the tax charge for the year is given below

	2009 £	2008 £
Profit before tax	**1,994**	2,931
Tax charge thereon at UK corporation tax rate of 28% (2008 28 5%)	**558**	835
Effect of utilisation of tax losses brought forward	**(558)**	(835)
Tax on profit on ordinary activities	**-**	-
Effective rate	**-**	-

8 Other current assets

	2009 £	2008 £
Amounts due from group undertakings (see note 11)	**1,397,369**	1,395,375

Amounts due from group undertakings are unsecured, non-interest bearing and repayable on demand

9. Loans and advances to customers

	2009 £	2008 £
Advances under finance lease and hire purchase contracts	**40,760**	81,603
Less allowance for losses on loans and advances	**(40,760)**	(81,603)
Net loans and advances to customers	**-**	-

Loans and advances to customers include finance lease and hire purchase receivables At 31 December 2009 there was no unearned future finance income on these loans and advances (2008 £nil)

During 2009 and 2008, no contingent rentals in respect of finance leases were recognised in the statement of comprehensive income

Further analysis of loans and advances to customers is provided in note 12

Notes to the financial statements (continued)
For the year ended 31 December 2009

10 Share capital

	2009 £	2008 £
Authorised, allotted, issued and fully paid		
980,000 "A" ordinary shares of £1 each	**980,000**	980,000
1,020,000 "B" ordinary shares of £1 each	**1,020,000**	1,020,000
	2,000,000	2,000,000

The "A" ordinary shares carry the right to appoint the chairman of the Company but, in all other respects, rank pari passu with the "B" ordinary shares

The immediate parent company and holder of all the "B" shares is United Dominions Trust Limited (incorporated in England and Wales) The company regarded by the directors as the ultimate parent company is Lloyds Banking Group plc (incorporated in Scotland), which is also the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member Lloyds TSB Bank plc is the parent undertaking of the smallest such group of undertakings Copies of the accounts of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN

The holder of all the "A" shares is Volvo Car UK Limited

11. Related party transactions

The Company is controlled by United Dominions Trust Limited

A number of transactions are entered into with related parties in the normal course of business These include loan and fee transactions A summary of the outstanding balances at the year end are set out below

	2009 £	2008 £
Amounts due from group undertakings		
Black Horse Limited (see note 8)	**1,397,369**	1,395,375

Key management personnel

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company Accordingly, key management comprise the directors of the Company and the members of the Lloyds Banking Group plc board There were no transactions between the Company and key management personnel during the current or preceding year Key management personnel are employed by other companies within the Lloyds Banking Group or the Volvo Car UK Limited group and consider that their services to the Company are incidental to their other activities within those groups

12. Financial risk management

As described in note 2, there are no significant risks facing the Company A description of the financial assets/liabilities and associated accounting is provided in note 1

12 1 Allowance for loans and advances to customers which are impaired

All loans and advances are impaired, hence are fully provided

	2009 £	2008 £
Brought forward at 1 January	**81,603**	97,600
Advances written off	**(38,849)**	(13,066)
Credit for year (including recoveries)	**(1,994)**	(2,931)
At 31 December	**40,760**	81,603

The criteria used to determine that there is objective evidence of impairment are disclosed in note 1 4

Repossessed collateral

Due to the nature and volume of the assets held as collateral it is impracticable to estimate the fair value of collateral held at the year end in respect of loans and advances to customers

During the year the Company repossessed collateral in respect of defaulted debt with a value of £nil (2008 £nil)

12 2 Fair values of financial assets and liabilities

Given that all loans and advances are fully impaired, no fair value information is disclosed in these accounts

13 Capital disclosures

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern and, indirectly, to support the Group's regulatory capital requirements

The Company's parent manages the Company's capital structure and advises the board of directors to consider making adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets In order to maintain or adjust the capital structure, the board of directors may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares, or sell assets

The Company's capital comprises all components of equity, movements in which appear in the statement of changes in equity

14. Contingent liabilities and commitments

There were no contingencies or contracted capital commitments at the balance sheet date (2008 £nil)

15. Post balance sheet events

There are no post balance sheet events requiring disclosure in these financial statements

16 Future developments

The following pronouncements will be relevant to the Company but were not effective at 31 December 2009 and have not been applied in preparing these financial statements

Pronouncement	Nature of change	Effective date
Improvements to IFRSs (issued April 2009)	Sets out minor amendments to IFRS standards as part of annual improvements process	Dealt with on a standard by standard basis but not earlier than annual periods beginning on or after 1 January 2010
IAS 24 Related Party Disclosures	Simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government related entities	Annual periods beginning on or after 1 January 2011

The full impact of these pronouncements is being assessed by the Company However, the initial view is that none of these pronouncements are expected to cause any material adjustments to the reported numbers in the financial statements